

AR31



BLACK PHOTO CORPORATION LIMITED

Financial Highlights	1975	1974
Sales	\$17,943,460	\$15,160,185
Net Earnings	954,858	847,728
Working Capital	3,862,292	3,316,765
Total Assets	7,470,001	6,664,346
Shareholders' Equity	5,486,612	4,699,452
Earnings per Share	89¢	79¢
Shares Outstanding	1,071,600	1,071,600

Directors and Officers

William E. Black
Chairman and President
 Robert F. Black
Director and Vice-President
 William J. Huntley
Director and Secretary-Treasurer
 George W. Copeland, Q.C.
Director
 Barry J. Black
Director
 Donald E. Boxer
Director
 Robert J. McMullen
Director

Head Office

10 Dyas Road, Don Mills, Ontario

Subsidiaries

Eddie Black's Limited
 10 Dyas Road, Don Mills, Ontario
 Educational Film Distributors Limited
 285 Lesmill Road, Don Mills, Ontario
 R & H Products Limited
 743 Renaud Avenue, Montreal-Dorval, Quebec

Auditors

Messrs. Coopers & Lybrand
 145 King Street West, Toronto, Ontario

Solicitors

Messrs. Miller, Thomson, Sedgewick, Lewis & Healy
 Toronto, Ontario
 Messrs. Bjarnason & Copeland
 Toronto, Ontario

Bankers

Canadian Imperial Bank of Commerce
 1865 Leslie Street, Don Mills, Ontario

Transfer Agent

Canada Permanent Trust Company
 20 Eglinton Avenue West, Toronto, Ontario

Stock Listing

BPK – The Toronto Stock Exchange

Underwriter

Burns Bros. & Denton Limited
 Toronto-Dominion Centre, Toronto, Ontario

To Our Shareholders:

Your corporation again achieved record sales and earnings for the fiscal year ended March 31, 1975. Sales increased by 18% to \$17,943,460. Rising costs in all facets of our business presented many problems, however, net earnings increased by 12.6% to \$954,858.

Our balance sheet position remains strong and our working capital increased to \$3,862,292. The book value of the consolidated net tangible assets is now \$4.78 per share.

During the past year, dividends totalling 16¢ were paid on Class A shares. 13.6¢ was paid out of the tax paid undistributed surplus on Class B shares.

Our retail chain of Black's Camera Stores was expanded by the addition of two new outlets. One in the Upper Canada Mall, in Newmarket and the other at 2 Bloor Street West, in Toronto, bringing our chain to a total of 32 outlets in Ontario. We expect to continue expansion of our retail chain but have no signed commitments at the present time. We continue to stress the importance of well-informed courteous sales personnel in our stores and our efforts are directed to provide our customers with quality photo products at competitive prices through volume buying.

Satisfactory growth particularly in volume of orders processed by our photofinishing plant was achieved. During this past fiscal year we acquired more automated processing equipment to assist in keeping our fast, high quality color print service in the forefront of the industry.

Our Audio-Visual division had a modest sales increase but as previously stated rising costs, particularly wages, freight and packaging, had an effect on its profits.

Educational Film Distributors' sales and profits were down slightly for the year. However, some measures were taken to enhance the sales and profit picture and we feel confident that this company will produce improved results in the coming year.

R & H Products Limited, distributors of Fuji film and Fujica cameras, and Metz electronic flash units had a substantial increase in sales and profits. This company is a national distributor with head office in Montreal. Sales representatives cover all ten provinces and warehouses are maintained in Montreal, Toronto and Vancouver.

The important contribution made by the personnel in each of our companies cannot be overstated. The achievements of the past year are directly related to their conscientious and determined efforts.

We concur with the view that a number of negative factors which influenced the economy in 1974 will continue through 1975. Historically, the photographic industry generally outperforms the economy. During this past year we saw continued growth in picture-taking activity. We are confident this trend will continue through this present fiscal year. Certainly the facts that are available to us at this time verify our confidence.

William E. Black, President.

Consolidated Statement of Earnings and Retained Earnings

for the year ended March 31, 1975

	1975	1974
NET SALES	<u>\$17,943,460</u>	<u>\$15,160,185</u>
OPERATING COSTS AND OTHER EXPENSES	<u>15,730,189</u>	<u>13,233,419</u>
DEPRECIATION AND AMORTIZATION	<u>252,013</u>	<u>201,155</u>
	<u>15,982,202</u>	<u>13,434,574</u>
	<u>1,961,258</u>	<u>1,725,611</u>
PROVISION FOR INCOME TAXES	<u>1,006,400</u>	<u>877,883</u>
NET EARNINGS FOR THE YEAR	<u>954,858</u>	<u>847,728</u>
RETAINED EARNINGS – BEGINNING OF YEAR	<u>3,368,961</u>	<u>2,694,180</u>
	<u>4,323,819</u>	<u>3,541,908</u>
Dividends paid (note 5)	<u>156,748</u>	<u>157,947</u>
Tax paid on 1971 undistributed income	<u>15,000</u>	<u>15,000</u>
	<u>171,748</u>	<u>172,947</u>
RETAINED EARNINGS – END OF YEAR	<u>\$ 4,152,071</u>	<u>\$ 3,368,961</u>
EARNINGS PER SHARE (note 6)	<u>89¢</u>	<u>79¢</u>

Consolidated Statement of Changes in Financial Position

for the year ended March 31, 1975

	1975	1974
SOURCE OF WORKING CAPITAL		
Net earnings for the year	\$ 954,858	\$ 847,728
Items not affecting working capital –		
Depreciation and amortization	252,013	201,155
Provided from operations	1,206,871	1,048,883
Payment of share subscription receivable (note 4)	4,050	4,050
Issue of share capital	—	18,720
Reduction in excess of cost of shares of subsidiaries over net book value at date of acquisition (note 3)	30,000	—
	<u>1,240,921</u>	<u>1,071,653</u>
USE OF WORKING CAPITAL		
Tax paid on 1971 undistributed income	15,000	15,000
Dividends paid (note 5)	156,748	157,947
Additions to fixed assets (net)	352,048	317,873
Decrease (increase) in long-term debt (note 3)	171,598	(29,693)
	<u>695,394</u>	<u>461,127</u>
INCREASE IN WORKING CAPITAL	<u>545,527</u>	<u>610,526</u>
WORKING CAPITAL – BEGINNING OF YEAR	<u>3,316,765</u>	<u>2,706,239</u>
WORKING CAPITAL – END OF YEAR	<u><u>\$ 3,862,292</u></u>	<u><u>\$ 3,316,765</u></u>

Notes to Consolidated Financial Statements

for the year ended March 31, 1975

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Black Photo Corporation Limited and its wholly-owned subsidiaries, Eddie Black's Limited, Educational Film Distributors Limited and R & H Products Limited.

2. FIXED ASSETS

Fixed assets and related accumulated depreciation are classified as follows:

	1975		1974	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 94,077	\$ —	\$ 94,077	\$ 94,077
Buildings	523,520	142,912	380,608	400,614
Furniture, fixtures, machinery and equipment	1,729,084	1,154,058	575,026	509,436
Motor vehicles	134,275	59,548	74,727	71,908
Leasehold improvements	389,624	183,738	205,886	154,254
	<u>\$2,870,580</u>	<u>\$1,540,256</u>	<u>\$1,330,324</u>	<u>\$1,230,289</u>

Depreciation has been recorded at the maximum rates allowable for income tax purposes, except for plant equipment, on which depreciation is recorded at 12½% of original cost per annum.

3. LONG-TERM DEBT

Long-term debt is classified as follows:

	1975	1974
7½% mortgage loan, due March, 1987	\$ 76,127	\$ 79,934
Balance payable in connection with the purchase of a subsidiary, without interest	—	167,500
	76,127	247,434
Less: Current portion	4,098	3,807
	<u>\$ 72,029</u>	<u>\$ 243,627</u>

During the year the company paid \$137,500 in complete settlement of the balance of \$167,500 which was

payable in connection with the purchase of a subsidiary. The adjustment of \$30,000 has been applied to reduce the excess of cost of shares of subsidiaries over net book value at date of acquisition.

4. SHARE CAPITAL

(a) Immediately following the issue of Amended Articles of Incorporation on July 26, 1973, the authorized capital consisted of 2,300,000 class A participating convertible shares without par value, 2,300,000 class B participating convertible shares without par value and 1,000 common shares without par value.

The class A and class B shares are voting, convertible into one another on a share for share basis and rank equally with respect to dividends and in all other respects. The only distinction between the two classes is that the directors may specify that cash dividends on class B shares be paid first out of 1971 tax-paid undistributed surplus on hand and then out of 1971 capital surplus on hand (as those expressions are defined in the Income Tax Act of Canada) with the result that class B dividends so paid will be less than the class A dividends by the amount of the tax paid thereon. The receipt of such dividends by the class B shareholders results in a reduction of the adjusted cost base of their shares with the effect that any gains realized on the disposal of the shares will be increased (or any losses reduced) for capital gains purposes.

(b) During the year there was an increase of 115,151 (1974 - 550,900) in the number of authorized and issued class B shares as a result of the exercise of the aforementioned conversion right.

The authorized and issued share capital at March 31 is summarized below:

	1975		1974	
	Authorized	Issued	Authorized	Issued
Class A shares	1,633,949	405,549	1,749,100	520,700
Class B shares	2,966,051	666,051	2,850,900	550,900
Common	1,000	—	1,000	—
Total	<u>4,601,000</u>	<u>1,071,600</u>	<u>4,601,000</u>	<u>1,071,600</u>

(c) At March 31, 1975, options for the purchase of 7,600 shares at a price of \$3.60 per share were outstanding to certain key employees of the company. These options may be exercised at any time until July 31, 1976.

The unpaid subscription of \$20,250 (1974 – \$24,300) relates to shares issued under a former stock option plan and is payable in equal annual instalments of \$4,050 to August, 1979.

5. DIVIDENDS

The following dividends have been declared and paid during the years ended March 31:

	1975		1974	
	Per Share	Total	Per Share	Total
Class A shares	16.0¢	\$ 73,404	16.0¢	\$ 83,752
Class B shares	13.6¢	83,344	13.6¢	74,195
		<u>\$ 156,748</u>		<u>\$ 157,947</u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Black Photo Corporation Limited and subsidiaries as at March 31, 1975 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario
May 8, 1975

6. PRINCIPLES OF EARNINGS PER SHARE

Earnings per share are based upon the weighted average number of shares outstanding during the year. The exercise of outstanding options to purchase shares would not have a material effect on earnings per share.

7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers as defined by The Business Corporations Act amounted to \$244,600.

8. LEASE COMMITMENTS

The total amount of rentals paid during the year ended March 31, 1975 under leases (including additional rent payable as a percentage of sales) was \$354,782 (1974 – \$264,259).

Minimum annual commitments under non-cancellable leases with terms of more than one year approximate \$301,000 for 1976 and average \$252,000 per year through 1980, with decreasing amounts thereafter.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants

Historical Financial Review	1975	1974	1973	1972	1971
Net Sales	\$17,943,460	\$15,160,185	\$11,020,480	\$ 9,462,124	\$ 8,060,843
Net Earnings	954,858	847,728	645,600	618,888	366,030
Earnings per Share	89¢	79¢	61¢	58¢	35¢
Earnings as percentage of sales	5.3	5.6	5.9	6.5	4.5
Dividends paid	\$ 156,748	\$ 157,947	\$ 74,606	—	—
Current Assets	5,773,652	5,038,032	4,410,873	\$ 3,324,248	\$ 2,436,395
Current Liabilities	1,911,360	1,721,267	1,704,634	860,675	603,263
Total Assets	7,470,001	6,664,346	5,920,469	4,566,242	3,740,211

